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PUBLIC SERVICE
COMMISSION

November 8, 2004

Mr. Bill Netherland
Chairman of the Board
Green-Taylor Water District
391 Industrial Park Rd.
Greensburg, KY 42743

Case 2005-00044

Dear Mr. Netherland:

Enclosed is a copy of the cost of water report as prepared in connection with the audit of the city accounts for fiscal year July 1, 2003-June 30, 2004. The unavoidable increase comes as a result of the overall increases in operational and maintenance costs. These are documented in the attachment from Nancy Stearman, CPA. If you have any questions about the report, please feel free to call her. She can be reached by calling 932-3284.

Sincerely yours,

George C. Cheatham, II

FOR Greensburg, Kentucky
Name of Municipality

P.S.C. KY. NO. _____

_____ SHEET NO. _____

Greensburg Water Department
(Name of Municipal Utility)

CANCELLING P.S.C. KY. NO. _____

_____ SHEET NO. _____

RATES AND CHARGES

MONTHLY WHOLESALE WATER RATE:

Green – Taylor Water District

All usage

\$1.953 Per 1,000 Gallons

DATE OF ISSUE December 23, 2004
Month / Date / Year

DATE EFFECTIVE February 15, 2005
Month / Date / Year

ISSUED BY Wilma B. DeSpain
(Signature of Officer)

TITLE City Clerk / Treasurer

BY AUTHORITY OF ORDER OF THE PUBLIC SERVICE COMMISSION

IN CASE NO. _____ N/A _____ DATED _____ N/A _____

Nancy J. Stearman, CPA
CERTIFIED PUBLIC ACCOUNTANT

COPY

P.O. BOX 198
GREENSBURG, KY 42743

TELEPHONE (270) 932-3284
FAX (270) 932-4249

Honorable Mayor and City Council Members
City of Greensburg, Kentucky

September 14, 2004

Based on the assumptions listed elsewhere in this correspondence, the following represents the costs of water produced by Greensburg Water and Sewer for the year ended June 30, 2004:

	<u>Formula Used</u>	<u>Calculated Cost of Water</u>
<i>MAXIMUM COST:</i>	<u>Allocated Expenses</u> <u>\$952,294</u> Thousands of gallons 302,090	\$ 3.152
<i>MINIMUM COST:</i>	<u>Allocated Expenses</u> <u>\$590,131</u> Thousands of gallons 302,090	\$ 1.953

The number of gallons for the year ended June 30, 2004 (i.e.: 302,089,661) is an unaudited figure supplied by the City of Greensburg management.

ASSUMPTIONS:

- ◆ **MAXIMUM COST:** Management has assumed that substantially all costs and expenses for the year ended June 30, 2004 of Greensburg Water and Sewer are allocable to the production of water, excluding depreciation expenses on the sewer plant, mains and lines not related to sludge treatment.
- ◆ **MINIMUM COST:** Minimum water cost is defined as costs related to the treatment of water, the pumping of water to the Green-Taylor Water District and the treatment of related sludge. Costs allocated to the minimum water cost calculation consist of those related to the treatment of water, the pumping of water and the treatment of related sludge, as estimated by management. Depreciation expenses allocated to sludge treatment and the treatment and pumping plant have been allowed in the calculation.

Sincerely,

COPY
Nancy J. Stearman, CPA

COPY

City of Greensburg
 Cost of Water Report
 For the year ended June 30, 2004

	Expenses	Maximum Allocation	Cost per 1000 Gal.	Minimum Allocation	Cost per 1000 Gal.
Total gallons:		302,089,661			
Operating expenditures:					
Chemicals & testing	\$76,418	76,418	\$0.253	\$56,122	\$0.186
Contractual services	18,791	18,791	0.062	13,438	0.044
Department supplies	11,757	11,757	0.039	9,001	0.030
Other	46,332	46,332	0.153	26,895	0.089
Personnel expenses	382,879	382,879	1.267	268,786	0.890
Rent	12,000	12,000	0.040		
Repairs & maintenance	49,664	49,664	0.164	41,647	0.138
Sludge removal	10,144	10,144	0.034	3,753	0.012
Utilities	56,318	56,318	0.186	40,995	0.136
Water purchased	10,374	10,374	0.034		
Depreciation:					
1963 water project	4,468	4,468	0.015	4,468	0.015
Equipment & Facilities	24,078	24,078	0.080	10,271	0.034
Facilities re: backwash	28,413	28,413	0.094	28,413	0.094
Water system	64,541	64,541	0.214		
Non-operating expenses:					
Amortization	5,136	5,136	0.017	4,094	0.014
Bond principal	38,663	38,663	0.128	21,023	0.070
Interest charges	112,318	112,318	0.372	61,225	0.203
Totals	\$952,294	\$952,294	\$3.152	\$590,131	\$1.953